DOCUMENT RESUME

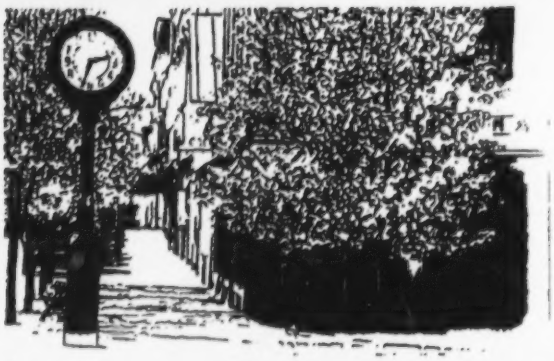
ED 459 040 RC 023 249

AUTHOR	Sheaff, Katharine
TITLE	The 2000 Census and Growth Patterns in Rural America. The Main Street Economist: Commentary on the Rural Economy.
INSTITUTION	Federal Reserve Bank of Kansas City, MO. Center for the Study of Rural America.
PUB DATE	2001-10-00
NOTE	5p.
AVAILABLE FROM	For full text: http://www.kc.frb.org/RuralCenter/mainstreet/MainStMain.htm.
PUB TYPE	Information Analyses (070)
EDRS PRICE	MF01/PC01 Plus Postage.
DESCRIPTORS	Census Figures; Demography; Economic Development; *Education Work Relationship; Elementary Secondary Education; *Futures (of Society); Higher Education; Living Standards; *Migration Patterns; *Population Trends; *Rural Areas; Rural Education; *Rural Population
IDENTIFIERS	*Census 2000; Retired Persons

ABSTRACT

The 2000 Census reveals four patterns of change in rural America. Rural areas in states such as Florida and Arizona are gaining population due to high retiree growth. These areas will experience growth in service sector jobs that have low pay and low educational requirements. Florida and Arizona trail the nation in high school and college graduation rates. States with high retiree growth must balance growth in the service sector with other sectors to maintain high standards of living. Colorado and Washington are typical of states with rural increases in working-age people. Young workers sustain a strong tax base, but their children place demands on schools, which in rural areas may have been losing students. Illinois and Minnesota are good examples of states with dual economies. Rural counties around metro areas experience growth, while others lose population. Policymakers face a dilemma: do they support continued growth of the cities or try to bolster rural growth? States respond to the dual economy problem in different ways, but these states seem determined to prosper without leaving rural places behind. "Rural exodus" states are exemplified by Kansas and North Dakota, where populations are shrinking in most rural counties. Education may be strong in these states, but many good students and entrepreneurs leave their rural hometowns. The lack of entrepreneurial innovation and leadership in these areas makes future economic growth problematic, and the diminishing population results in an eroding tax base that strains public services. (TD)

Reproductions supplied by EDRS are the best that can be made
from the original document.



CENTER FOR THE STUDY OF RURAL AMERICA
Federal Reserve Bank of Kansas City

October 2001

ED 459 040

The Main Street Economist
Commentary on the rural economy

RC 023249

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)
This document has been reproduced as received from the person or organization originating it.
Minor changes have been made to improve reproduction quality.
Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

The 2000 Census and Growth Patterns in Rural America

Katharine Sheaff
Research Associate
Center for the Study of Rural America

In the past decade, some rural counties have grown rapidly, while others have lost businesses and people, leaving them searching for new sources of growth. Many of the changes that underlie these contrasting developments in rural America can be seen in the 2000 Census data.

Four patterns of population change seem to be emerging in rural America. These changes are often driven by scenic amenities and the characteristics of the people who seek them. One pattern appears in rural areas with growing retiree populations. Another pattern appears in states where the working age population has surged in many rural counties. Still other states have faced chaotic change, where population growth has been high in some rural counties and low in others—or even declining. Finally, in some states there has been a "rural exodus." This article examines these four major patterns of growth and illustrates each with two representative states.

BEST COPY AVAILABLE

The four categories provide reference points to gauge demographic shifts throughout rural America.

The divergent changes in population across rural America point to starkly different prospects for economic growth. Some rural areas appear well-positioned for rapid growth in the future, while others may struggle to find economic gains.

States with high retiree growth

Arizona and Florida are representative of states whose populations increased dramatically over the past decade—especially among retirees, or those in the over 65 age group. These increases occurred in rural and metro areas alike. Despite their differences in location and water access, both Arizona and Florida have many scenic amenities and are in the "sun belt," where growth has been rapid in recent years.

Florida's growth stems from two main sources. First, people are relocating from other areas of the United States seeking high scenic amenities and the opportunites of the state's booming areas. Many of these newcomers have ended up in Florida's rural counties, which grew 25% in the 1990s. The state's rural retiree population grew 28%. Statewide, the population as a whole grew 24%, while the retiree population grew 19%.

Second, people are relocating to Florida from other countries. Immigrants are drawn not only by the state's abundance of scenic amenities and economic opportunities, but also by the immigrant communities already there. While many immigrants settle first in cities, growth is likely to spread to rural areas. Miami is one of the top five immigrant destinations in the United States. Some who have settled there use their entrepreneurial skills to encourage the transformation of Miami from a tourist destination to a center of international trade. As these immigrants prosper in their new businesses, it is likely that many will migrate to the growing nonmetro areas for business opportunities or to raise their families.

Like Florida, Arizona's rural areas have also become a prime destination for retirees. From 1990 to 2000 Arizona's rural population grew 29%. The rural retiree group grew 43%, while the rural working age group (aged 18-64) grew 31%. Statewide, population growth was 40% overall—with 40% growth rates for both the working age and retiree groups.

What do these increases in population mean for the future of states like Arizona and Florida? These states will likely experience strong growth in the service sector to support the growing retiree group. While some service sector jobs pay well, many service jobs have lower educational requirements and pay less than other jobs. Florida's growth in per capita income during the 1990s was below average. States with similar retiree growth could face a challenge of balancing growth in the service sector with growth in other sectors to maintain their high standards of living.

States like Arizona and Florida also face a challenge in their work force. While high school and college graduation rates in these states have increased over the past ten years, they still rank below the national average. Moreover, both Arizona and Florida trail many other states in the growth of their population with college degrees. In the future, therefore, these states may be at a disadvantage when trying to recruit companies—especially those that pay high wages and tend to make location choices based on a highly skilled work force.

States with high worker growth

Colorado and Washington are typical of states with high population growth and greater increases in the working age group than in retirees. These states also tend to have high levels of scenic amenities, from mountains to shorelines.

Colorado is currently a "hot" destination for both recent college grads and baby boomers. During the 1990s, rural areas of Colorado experienced dramatic surges in population—40% among the working age and 23% among retirees. Many are moving to rural areas of Colorado's Front Range, where job growth has been rapid. These rural counties offer residents the best of both worlds: cultural and entertainment benefits of nearby metro areas, as well as the "community" feel of Colorado's rural towns.

Statewide, Colorado's population grew 31% during the 1990s. The state's working age group swelled 32%, compared to 27% for retirees.

Rural Washington likewise experienced strong population growth in recent years. The state's rural areas grew 20%, with faster growth in the working age group than in retirees. Rural counties in Washington saw their working age population increase 22%, compared to just 16% for retirees. These rural population changes reflect statewide changes: 21% overall growth, 23% in the working age group, and 15% in retirees.

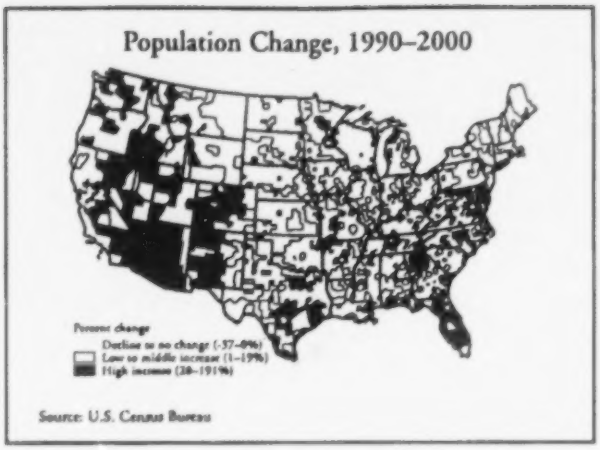
By attracting young people, rural communities across Colorado and Washington are on track for a strong future. If young workers stay in these areas through their high earning years, they will sustain a strong tax base for improvements. Per capita income already increased 27% in rural Colorado in the 1990s.

The baby boomers that are moving to these areas also bring with them leadership experience in addition to their current high earning status. This group can help provide a guiding force for states in their time of growth.

Colorado and Washington are also making commitments to their future through education. Both states rank among the top eight in the nation in the percentage of their population with a college degree.

Notwithstanding a strong economic outlook, states with booming rural areas can also expect some challenges to the existing infrastructure. Pressures on transportation and utilities can be solved by installing more roads and power lines. But these solutions can alter parts of these states enough so that they may no longer retain the "ruralness" that attracted people to them in the first place.

These states also face pressures on their school and health care systems. Increases in the retiree population might call for changes in the health care system, particularly in rural areas where the number of hospitals has dwindled in recent years. The baby boomers'



children, the "echo generation," will place demands on schools, which until recently may have been losing students. All of these challenges must be addressed for these states to truly prosper with their growing populations.

States with dual economies

Illinois and Minnesota are good examples of states with uneven population growth. Despite their access to lakes, both states score low on most measures of scenic amenities due to their relative lack of topographical variation and extreme temperatures. During the 1990s, both states experienced growth in some areas. But elsewhere populations declined—often in rural areas.

The sources of Minnesota's dual economy are clear. The state enjoyed population growth of about 10% in the 1990s in the rural counties surrounding the Twin Cities and along the gateway to the state's 10,000 lakes. But southwestern and western counties of the state suffered stagnant or declining populations. Statewide, Minnesota's population grew 12%—with a 14% rise in the working age population and a 9% rise in retirees.

A similar dual pattern is clear in Illinois. In the "down state" counties of western Illinois, the map is a patchwork of low-growth and no-growth counties. About three of every five Illinois rural counties suffered population declines in the 1990s, while two of every five saw only modest growth. Statewide, rural Illinois grew 1%, while the Chicago metro area grew 12%.

What do these extreme differences in population change mean for these states? Policymakers face a dilemma: Do they support continued growth of the cities or try to bolster rural growth? If they support continued metro growth, they face urban sprawl. If they shift funds to rural areas, infrastructure in major cities may suffer.

States are responding to the dual economy problem in different ways. Minnesota Governor Ventura's "Big Plan" is a statewide economic prosperity approach. Illinois is focusing on growth in rural areas with the reinvigorated Governor's Rural Affairs Council. Georgia, another dual economy state, is trying to bring cohesion to its overall economic development strategy through the OneGeorgia plan, which affects mostly rural parts of the state. While individual approaches differ, each of these states seems determined to prosper without leaving rural places behind.

States in a rural exodus

Kansas and North Dakota are representative of the "rural exodus" states, which stand predominately in the nation's Great Plains. These states typically have few scenic amenities, such as lakes and mountains, and experience harsh summers and severe winters.

Kansas and North Dakota both saw their populations shrink in most of their rural counties during the 1990s. In Kansas, the exceptions were rural counties surrounding the metro areas of Kansas City, Topeka, and Wichita, and a cluster of southwestern counties with meat packing plants and dairies. Overall, rural Kansas grew 2%, while the state as a whole grew 9%.

North Dakota's exodus covered most of the state, except for six counties, most of which contained metro areas. These areas act as economic hubs for the rest of the state, with universities, health care, and retail facilities that draw residents. Rural North Dakota lost 6% of its population in the 1990s, while the state's population overall stayed essentially unchanged.

Heartland states face a troubling lack of entrepreneurs and leadership. Entrepreneurial immigrants are moving to some rural areas, but not to the extent that they are moving to cities. And many local entrepreneurs are moving away, hurting entrepreneurial innovation and leadership.

Making matters worse, an eroding tax base strains public services. Throughout much of the Heartland, the public service delivery system was established in the 19th century. New strains on the system, however, may lead to innovation. And as counties pool their public services, resources may become available for new economic development initiatives.

Education in the rural Heartland remains strong. Most counties in the region have high rates of high school completion, and many students go on to college. Universities throughout the region are producing students with strong academic backgrounds, but many of them leave their rural hometowns after graduation. Strong students are a key ingredient for strong economic growth. Thus, attention may need to be given to the economic opportunities and quality of life improvements that would stem this brain drain.

Conclusions

The 2000 Census reveals four main patterns of change in rural America. Some rural places are gaining retirees, while others are attracting new workers. Some rural places are experiencing mixed growth, while others are suffering a mass exodus. As a result, some rural areas look forward to rosy futures, while others are struggling to find *any* future. Census data will cause spending by many state and federal agencies to shift in coming years, helping some rural areas and hurting others. But in the end, rural America's future will depend mainly on how rural communities themselves respond to the demographic shifts under way.

Survey of Agricultural Credit Conditions

Federal Reserve Bank of Kansas City
June 30, 2001

Highlights from the second quarter survey[1]

- Gains in district farmland values were more modest than in previous quarters. In the second quarter of 2001, district irrigated and nonirrigated cropland values rose 0.93 and 0.85 percent, respectively, while ranchland values edged up 0.57 percent. Despite slower gains for the quarter, district farmland values posted solid gains over a year ago.
- The district farm commodity price index slipped in the second quarter. Prices for wheat, corn, and slaughter cattle fell, while soybean and hogs prices rose. Since June, corn prices have edged up while prices for wheat, soybeans, and livestock have softened.
- Farm credit conditions showed some signs of weakness in the second quarter of 2001. Loan renewals or extensions were well above year ago levels and loan repayment rates continued to slow. District bankers, however, reported no significant repayment problems in their farm loan portfolios, and the demand for new farm loans remains healthy.
- Farm interest rates continued to fall in the second quarter. At the end of the quarter, interest rates on new farm loans averaged 9.11 percent for operating loans, 8.98 percent for feeder cattle loans, 8.97 percent for intermediate-term loans, and 8.45 percent for real estate loans. Since June, interest rates in national money markets have declined further.

Note: 270 bankers responded to the second quarter survey.

[1] Please refer questions to Kendall McDaniel, associate economist, at 816-881-2291 or kendall.l.mcdaniel@kc.frb.org.

Farm Real Estate Values

June 30, 2001
(Average value per acre by reporting banks)

	Nonirrigated	Irrigated	Ranchland
Kansas	$643	$1,110	$387
Missouri	993	1,180	625
Nebraska	879	1,442	361
Oklahoma	534	735	384
Mountain states*	360	1,135	225
Tenth District	$694	$1,188	$382
Percent change from:			
Last quarter+	.93	.85	.57
Year ago+	4.12	4.48	5.18
Market high	-17.80	-17.48	-6.79
Market low	75.19	74.75	129.04

* Colorado, New Mexico, and Wyoming combined.

\+ Percentage changes are calculated using responses only from those banks reporting in both the past and the current quarter.

Source: Federal Reserve Bank of Kansas City

Selected Measures of Credit Conditions at Tenth District Agricultural Banks

	Loan demand (index)+	Loan Fund availability (index)+	Loan repayment rates (index)+	Average renewals or extensions (index)+	Loan-to-deposit ratio* (percent)	District farm commodity price index (1980=100)
1999						
Jan.-Mar.	105	113	56	143	65.7	88.0
Apr.-June	107	107	71	127	66.5	89.9
July-Sept.	103	90	74	126	67.7	89.5
Oct.-Dec.	100	99	86	115	67.7	94.1
2000						
Jan.-Mar.	107	95	92	108	67.1	100.6
Apr.-June	112	78	86	108	70.4	99.5
July-Sept.	103	85	84	112	70.8	93.0
Oct.-Dec.	106	90	82	120	70.9	102.6
2001						
Jan.-Mar.	111	106	78	123	70.5	105.3
Apr.-June	111	100	76	120	70.4	102.7

* At end of period.

\+ Bankers responded to each item by indicating whether conditions during the current quarter were higher than, lower than, or the same as in the year-earlier period. The index numbers are computed by subtracting the percent of bankers that responded "lower" from the percent that responded "higher" and adding 100.

Source: Federal Reserve Bank of Kansas City

BEST COPY AVAILABLE